

Message Text

CONFIDENTIAL

PAGE 01 BRUSSE 05934 01 OF 02 101547Z
ACTION EUR-12

INFO OCT-01 NEA-10 IO-13 ISO-00 AID-05 CEA-01 CIAE-00
COME-00 EB-07 FRB-03 INR-07 NSAE-00 EPG-02 SP-02
STR-04 TRSE-00 LAB-04 SIL-01 OMB-01 AGR-05 SS-15
NSC-05 PA-01 PRS-01 USIA-06 XMB-02 /108 W
-----101644Z 020459 /43

R 101408Z JUN 77
FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC 0195
INFO ALL EC CAPITALS
AMEMBASSY BEIRUT
USMISSION GENEVA

C O N F I D E N T I A L SECTION 01 OF 02 BRUSSELS 05934

USEEC
PARIS ALSO FOR OECD
E.O.11652: GDS
TAGS: EAID, LE, EEC
SUBJECT: EC COMMISSION TAKES UP POSSIBLE 100 MILLION UA
LOAN TO LEBANON
REF: (A) EC BRUSSELS 4564, (B) 76 ECBUSSELS 7810
1. EC COMMISSION OFFICIALS SAY THAT THE COMMISSION WILL
PROPOSE TO THE JUNE 20 EC FINANCE COUNCIL AND EUROPEAN
INVESTMENT BANK (EIB) BOARD MEETINGS THAT THE EIB MAKE
EMERGENCY LOANS AMOUNTING TO 100 MILLION UNIT OF ACCOUNT
(MUA,\$112 MILLION) TO LEBANON. (SEE REF. A.) THESE
OFFICIALS CONFIRM THAT THE GOL RECENTLY SUBMITTED AN
OFFICIAL REQUEST FOR EC EMERGENCY AID TO ASSIST WITH
RECONSTRUCTION. THE COMMISSION ALSO PLANS TO TAKE UP
THIS PROPOSAL AT THE JUNE 21 FOREIGN MINISTERS COUNCIL
MEETING.
2. COMMISSION OFFICIALS ARE HOPEFUL THAT THE NINE WILL
ACT FAVORABLY ON THIS PROPOSAL, EVEN THOUGH THE EC
COUNCIL HAS SO FAR BEEN DETERMINED TO ENFORCE ITS
CEILING ON EIB THIRD COUNTRY LOANS. (SEE REF. B.)

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 BRUSSE 05934 01 OF 02 101547Z

THESE OFFICIALS SAY INFORMAL SOUNDINGS INDICATE THAT
THE NINE, EXCEPT THE UK, GENERALLY SUPPORT THIS PROPOSAL.
THE COMMISSION DOES NOT PLAN TO REQUEST AN INTEREST
RATE SUBSIDY FOR THE PROPOSED LOAN. MANY EIB THIRD
COUNTRY LOANS CARRY A 3 PERCENT INTEREST RATE SUBSIDY.
THIS SUBSIDY IS PAID OUT OF THE EC BUDGET TO WHICH THE
NINE CONTRIBUTE DIRECTLY. COMMISSION OFFICIALS BELIEVE

THAT THERE ARE SUFFICIENT PROJECTS IN LEBANON WITH A HIGH FINANCIAL RATE OF RETURN. IN ADDITION, LEBANON'S BALANCE OF PAYMENTS SITUATION IS ADEQUATE TO MEET NORMAL EIB LOAN TERMS, I.E., ABOUT 9 PERCENT ANNUAL INTEREST, AND A MATURITY PERIOD OF 6-12 YEARS.

3. EIB OFFICIALS TELL US THAT THEY WOULD HAVE NO PROBLEM FINDING SATISFACTORY LOAN PROJECTS IN LEBANON. THE BANK HAS SUFFICIENT LIQUIDITY TO UNDERTAKE AN EMERGENCY PROGRAM FOR LEBANON. THUS, AS FAR AS THE BANK IS CONCERNED, THE CENTRAL ISSUE IS WHETHER THE EC COUNCILS AND ITS BOARD WILL APPROVE AN EMERGENCY PROGRAM FOR LEBANON.

4. REACTIONS OF EC PERMDEL OFFICIALS ARE MIXED REGARDING THE COMMISSION PROPOSAL. UK OFFICIALS HERE ARE ONLY LUKEWARM BECAUSE OF THEIR DESIRE TO MAINTAIN THE CURRENT CEILING ON EIB THIRD COUNTRY LOANS. THESE OFFICIALS ARE CONCERNED THAT AN EXCEPTION FOR LEBANON COULD INCREASE PRESSURE BY OTHER MEDITERRANEAN COUNTRIES FOR ADDITIONAL EC FINANCING BEFORE THE EXPIRATION OF THE CURRENT FINANCIAL PROTOCOLS IN 1981. OTHER PERMDELS HAVE ADOPTED A WAIT-AND-SEE ATTITUDE.

5. THE COMMISSION AND THE EIB PLAN TO SEND A "FACT-FINDING" MISSION TO LEBANON THE WEEK OF JUNE 13 TO LOOK INTO THE GUIDELINES FOR PROJECTS TO BE FINANCED BY THE 30 MUA EC FINANCIAL PROTOCOL FOR LEBANON. THE EC, HOWEVER, WILL NOT BE ABLE TO BEGIN CARRYING OUT THIS CONFIDENTIAL

CONFIDENTIAL

PAGE 03 BRUSSE 05934 01 OF 02 101547Z

PROTOCOL UNTIL IT IS RATIFIED, WHICH WILL BE PROBABLY SOME TIME IN THE FIRST HALF OF NEXT YEAR. THIS PROTOCOL IS NOT OF AN EMERGENCY NATURE; ITS ACTIVITIES WILL LIKELY BE STRETCHED OUT OVER A 3 TO 4 YEAR PERIOD.

6. HEINZ ANDRESEN, EC COMMISSION CHIEF FOR THE SOUTHERN MEDITERRANEAN, WILL LEAD THIS MISSION TO BEIRUT. HE AND OTHER COMMISSION OFFICIALS HAVE EXPRESSED AN INTEREST IN BEING INFORMED OF US PLANS REGARDING FINANCIAL ASSISTANCE TO LEBANON. WE HAVE SUGGESTED TO ANDRESEN THAT HE MIGHT MEET WITH US OFFICIALS IN BEIRUT. ANDRESEN OR HIS STAFF PLANS TO CALL AMEMBASSY BEIRUT, EITHER THE DCM OR ECONOMIC COUNSELOR, TO ARRANGE A POSSIBLE APPOINTMENT. HE WILL BE IN BEIRUT FROM JUNE 13 TO 17.

7. COMMENT: WE SUSPECT THAT THE COMMISSION IS NOT SEEKING AN INTEREST RATE SUBSIDY FOR THE PROPOSED EMERGENCY LOAN BECAUSE CERTAIN MEMBER STATES, PARTICU-

LARLY FRANCE, ARE NOT PREPARED TO MAKE ADDITIONAL BUDGETARY CONTRIBUTIONS AT THIS TIME. COMMISSION SOUNDINGS LIKELY INDICATE LIMITED SUPPORT FOR EIB LOANS AS LONG AS THERE ARE NO DIRECT BUDGETARY COSTS FOR THE NINE. OUR SOURCES HINTED, HOWEVER, THAT SHOULD THE "FACT-FINDING" MISSION AND THE GOL MAKE A STRONG CASE FOR CONCESSIONAL LENDING, THE COMMISSION MIGHT SUBSEQUENTLY SEEK BUDGETARY FUNDS TO SUBSIDIZE THE PROPOSED LOANS. END COMMENT.

8. DEPT. ACTION REQUESTED: WE WOULD APPRECIATE BEING INFORMED, IF POSSIBLE, OF CURRENT US PLANS REGARDING

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 BRUSSE 05934 02 OF 02 101547Z
ACTION EUR-12

INFO OCT-01 NEA-10 IO-13 ISO-00 AID-05 CEA-01 CIAE-00
COME-00 EB-07 FRB-03 INR-07 NSAE-00 EPG-02 SP-02
STR-04 TRSE-00 LAB-04 SIL-01 OMB-01 AGR-05 SS-15
NSC-05 PA-01 PRS-01 USIA-06 XMB-02 /108 W
-----101642Z 020469 /43

R 101408Z JUN 77
FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC 0196
INFO ALL EC CAPITALS
AMEMBASSY BEIRUT
USMISSION GENEVA

C O N F I D E N T I A L SECTION 02 OF 02 BRUSSELS 05934

USEEC
PARIS ALSO FOR OECD

RECONSTRUCTION FINANCIAL ASSISTANCE. HINTON

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC COOPERATION, COMMITTEE MEETINGS, FINANCIAL AGREEMENTS, BANK LOANS
Control Number: n/a
Copy: SINGLE
Sent Date: 10-Jun-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977BRUSSE05934
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770207-1157
Format: TEL
From: BRUSSELS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770670/aaaacjoq.tel
Line Count: 160
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 6004ee7f-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 77 EC BRUSSELS 4564
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2205332
Secure: OPEN
Status: NATIVE
Subject: EC COMMISSION TAKES UP POSSIBLE 100 MILLION UA LOAN TO LEBANON
TAGS: EAID, LE, EEC
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/6004ee7f-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009